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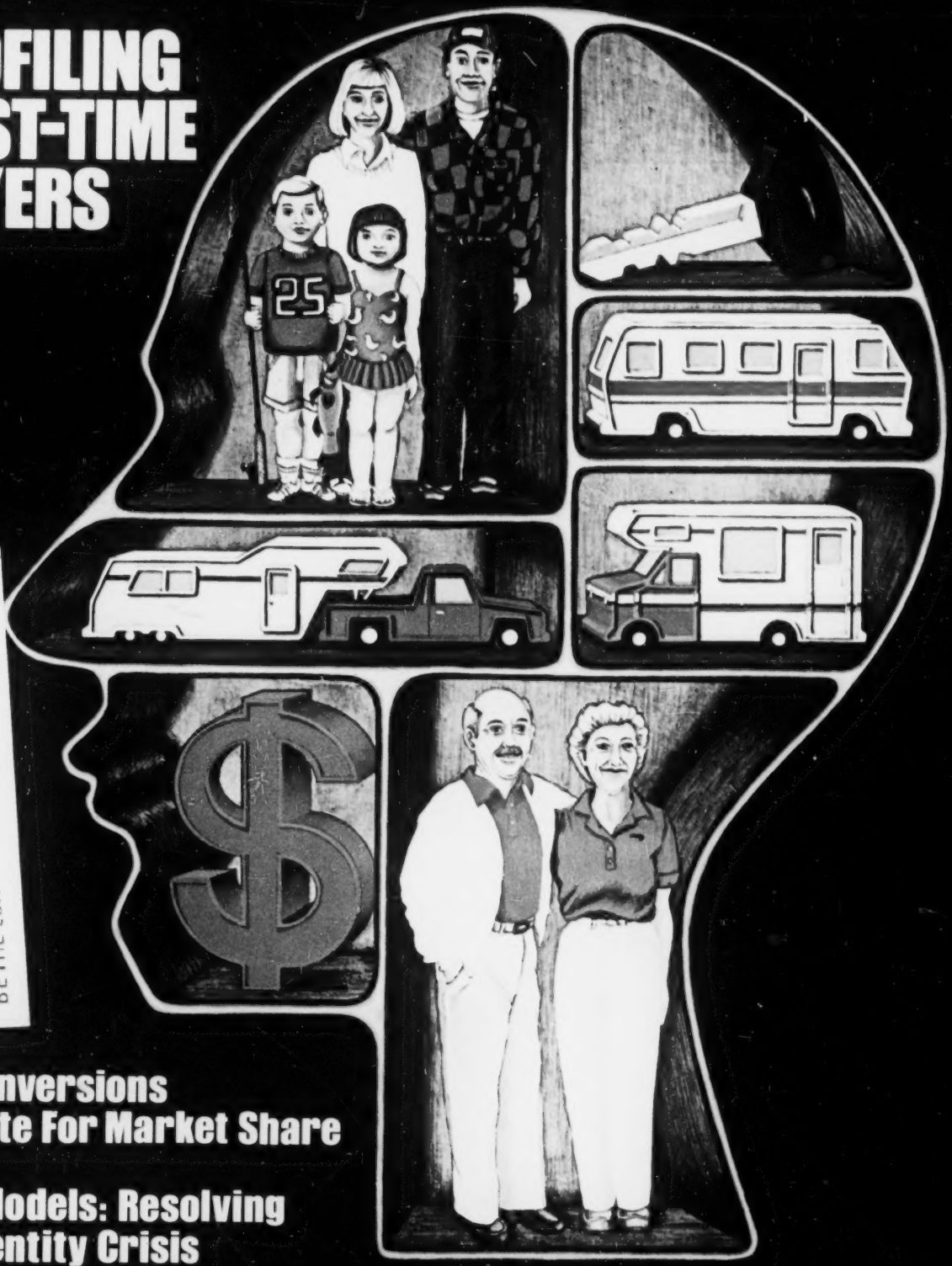
RV BUSINESS

JANUARY 1987 $2.00

PROFILING FIRST-TIME BUYERS



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Van Conversions Compete For Market Share

Park Models: Resolving The Identity Crisis

RV BUSINESS

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ON THE COVER: Two recent studies profile the elusive first-time RV buyer. Illustration: Andrea Bell.

Perspective

An analysis of RVB's monthly survey of its Dealer Advisory Board Members

GAYLORD MAXWELL

	NEW						USED					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	OCT. 1986	OCT. 1985	% CHANGE	1986	1985	% CHANGE	OCT. 1986	OCT. 1985	% CHANGE	1986	1985	% CHANGE
MOTORHOMES	105	97	+ 8	966	1,106	−13	97	70	+39	937	836	+12
TRAVEL TRAILERS	77	71	+ 8	892	845	+ 6	64	73	−12	799	800	− 1
TRUCK CAMPERS	13	8	+63	144	161	−11	6	11	−45	93	112	−17
CAMPING TRAILERS	35	32	+ 9	968	1,046	− 7	16	20	−20	294	333	−12
FIFTH-WHEELS	12	20	−40	170	178	− 4	7	4	+43	68	72	− 6

	FOR MONTH			YEAR-TO-DATE		
	OCT. 1986	OCT. 1985	% CHANGE	1986	1985	% CHANGE
SALES VOLUME	$8,106,521	$7,347,008	+10	$83,351,573	$83,162,678	+ 1
TOTAL UNIT SALES	432	406	+ 6	5,331	5,489	− 3
NEW-UNIT SALES	242	228	+ 6	3,140	3,336	− 6
USED-UNIT SALES	190	178	+ 7	2,191	2,153	+ 2

RV Business' Dealer Advisory Board (DAB) reports that retail RV sales in October were up from the previous year in both dollars and units.

Of the five new-unit categories, four were up. Only fifth-wheels showed a drop. Although three used-unit categories were slightly down, the total for all used types was positive. DAB members were about evenly split between ups and downs in dollars taken in.

In terms of profits, the DAB had a good month. Grosses were generally rated fair to good. Net-profit ratings varied from poor to excellent with the good column receiving the most checks. The service and accessory business received mostly good to excellent ratings.

Inventories are generally in good shape for members of the DAB. Most considered their new-unit stock to be about average. Three reporters considered their used supply to be too large. Lot traffic was rated low to average, as was the percentage of new buyers.

Year-to-date, the dollar sales volume for the first 10 months of 1985 is almost identical with that of 1986. New units are down a few points, and the used column is slightly up.

Although there are still two months to go, it is apparent that 1986 will be a repeat of the previous year in many respects. Unit sales and dollar sales will be about the same for the average dealer. However, as in all years, there are many deviations from the norm. Some dealers are reporting their best year ever; others are flirting with bankruptcy.

MOTORHOMES

Although more DAB dealers of this RV type were down for the month, some of those who were up were *really* up. Three of the larger, multitype dealers racked up motorhome sales that were two to four times higher than those of October '85. Sales of used units were strong, also.

Profits on new units were rated as fair to good. Profits on used units were reported to be good to excellent.

TRAVEL TRAILERS

The upward trend in sales of new trailers continued through October. Two out of three DAB dealers were up. Used sales were somewhat down. For the year-to-date, new travel trailers are the only RV type to stay in the plus column for the DAB. Used sales are about even. New trailer profits were rated generally as fair to good; three DAB members ranked them as poor.

TRUCK CAMPERS

Small numbers make conclusions difficult for this type in October. The 63-percent increase reflects a sales increase of five units. And the 45-percent decrease in used-unit sales reflects a drop of only five units. Year-to-date figures indicate that sales of both new and used units are down a bit.

Profits on new-unit sales were rated excellent.

CAMPING TRAILERS

A couple of DAB members who push folding camping trailers extra hard had better-than-usual sales in October—enough to put that category ahead in new-unit sales for the month; however, used sales dropped.

Year-to-date, new-unit sales are still behind the previous year. Profits were down, with ratings only poor to fair.

FIFTH-WHEELS

As with truck campers, small-number differences make big percentages. The 40-percent drop in new-unit sales is considerable, however, and reflects a generally poor month for that RV type. Similarly, the 43-percent increase for used sales reflects a decrease of three units. Year-to-date numbers for fivers indicate that 1985 and 1986 are similar.

Profits on new units sold in October were rated as good. Δ

Perspective is a compilation of data provided by RVB's Dealer Advisory Board (DAB), a group comprised of 21 dealers representing a cross-section of the U.S. dealer body. This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.

RVIA, OCTOBER

The marketing committee of the Recreation Vehicle Industry Association has announced that the total number of recreational vehicles shipped from manufacturers' plants during October 1986 was 29,200 units, up 5.4% from October 1985.

The shipment figures released by the association are contained in a report compiled for the membership by RVIA's marketing committee under the chairmanship of Jim Sheldon of Fleetwood Enterprises, Riverside, California.

RV shipments were as follows in October 1986		Oct. 1985	Percent Change	Cumulative 1986	Cumulative 1985	Percent Change
TRAVEL TRAILERS	4,600	4,300	+ 7.0%	49,300	49,700	– 0.8%
PARK MODELS	900	800	+ 12.5%	6,500	6,400	+ 1.6%
FIFTH-WHEELS	2,300	2,200	+ 4.5%	19,900	18,200	+ 9.3%
TRUCK CAMPERS	600	400	+ 50.0%	6,400	6,200	+ 3.2%
MULTI-USE VEHICLES (Van Conversions)	12,500	12,600	– 0.8%	158,600	140,100	+ 13.2%
TYPE A: MOTOR-HOMES	3,200	2,900	+ 10.3%	28,000	29,400	– 4.8%
TYPE B: VAN CAMPERS	300	300	0%	5,000	5,800	– 13.8%
TYPE C: MINI MOTOR-HOMES	2,300	2,000	+ 15.0%	24,300	25,500	– 4.7%
FOLDING CAMPING TRAILERS	2,500	2,200	+ 13.6%	30,100	31,300	– 3.8%
TOTALS	29,200	27,700	+ 5.4%	328,100	312,600	+ 5.0%

PROFILING FIRST-TIME BUYERS

PATRICIA E. GOEKE

The question, "Who is the first-time RV buyer?," continues to fascinate and challenge the industry—and for good reason. The future growth and vitality of the industry depends on being able to continue to attract new buyers to the RV lifestyle, and the industry has responded with renewed research efforts to identify and describe the elusive first-timer.

The recently released study sponsored by the Recreation Vehicle Industry Association (RVIA), *Understanding the First-Time Recreation Vehicle Buyer*, for example, provides one portrait of the first-time buyer. Interest in the characteristics of the first-time RV buyer also prompted TL Enterprises Incorporated to commission a study examining many of the same questions, and the preliminary results of this study suggest additional dimensions of new buyers.

A Complex Portrait

Understanding the first-time buyer—in terms of demographic characteristics such as age, household size, education, occupation and income—is the first step in better targeting marketing efforts to future first-time buyers.

Although the composite portrait of the first-time owner, based on both the RVIA and TL studies, is complex, a brief summary can be made.

It is clear that the first-time RV buyer is likely to be a married homeowner. This RV buyer will have an annual income of at least $35,000, with $40,000 the overall average. Employed first-time buyers will have an average income higher than the $40,000 average, since the inclusion of retired buyers, who make up 25 percent of the total, tends to depress the overall average.

WHO IS THE FIRST-TIME RV BUYER?

Base:	Total 904 (100%)	Motor-home 303 (100%)	Travel Trailer 319 (100%)	Fold-down Camper 153 (100%)	Truck Camper 121 (100%)
Average age (years)	49.1	53.7	49.7	41.5	45.3
Married	92%	92%	92%	93%	86%
Home ownership	92%	96%	92%	88%	88%
Average income (in thousands)	$39.8	$45.3	$36.0	$39.8	$37.0
Education					
High school or less	53%	44%	60%	52%	56%
Some college or more	43	52	36	47	36
Employed full-time	55	45	56	71	57
Retired	25	35	24	10	18
Average miles driven with RV each year	5900	9100	4300	2800	5800

CHART COURTESY OF RECREATION VEHICLE INDUSTRY ASSOCIATION

The average age of the first-time buyer at the time of purchase ranges between 40 and 54 depending on whether the first purchase is a new or used vehicle and depending on the type of RV purchased.

About half of the first-time RV purchasers currently live in households of two persons, although almost two-thirds had children living at home when they purchased their first RV.

Half of the first-timers have a high-school education or less, yet about half have at least some college education.

One-quarter of the first-time RV buyers are retired; prior to retirement, half of these owners had been in a professional, technical, managerial or self-employed occupation. Similarly, half of those not retired are in white-collar occupations.

Approximately two-thirds of the first-time buyers purchase a used vehicle as their first RV, and half of these make

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ILLUSTRATION: ANDREA BELL

FIRST-TIME BUYERS *continued*

that purchase from a private party.

With the exception of the truck-camper owner, almost three-quarters of used-RV buyers who upgrade to a new vehicle purchase the same type of RV as their original vehicle. Among current first-time owners of both new and used vehicles, 40 percent would plan to buy the same vehicle type if they were to buy a new vehicle today. Thus, the purchase of the used RV is a continuing influence on subsequent purchases.

The results of the TL survey, which are still being analyzed, may yield further refinements as additional questions are evaluated.

Defining "First-Timer"

A clear understanding of the varying definitions of a first-timer is important in evaluating the findings outlined above.

In the RVIA study, the first-time buyer fell into one of two classifications: (1) the first-time buyer of a used vehicle, who was an owner who had not previously purchased either a new or used RV; and (2) the first-time buyer of a *new* vehicle, who may or may not have previously owned a *used* vehicle. Three-quarters of the sample of 904 respondents were first-time buyers in the second category: buyers of their first *new* RV. Among these first-timers, 58 percent had previously owned a used vehicle.

Thus, for the RVIA sample overall, approximately 68 percent of the respondents had initially entered the RV market with the purchase of a used vehicle.

The TL survey, drawn from vehicle registration lists, identified first-time buyers and repeat buyers within the sample of 1100 respondents. In this case, first-time owners were those who, at the time of the survey, owned their first RV ever purchased, either new or used. Approximately one-quarter of the respondents were thus classified as first-time owners.

These differing definitions of the first-time owner account for some of the differences in the descriptions of first timers drawn from the two surveys.

Age

The RVIA study indicates that the average age of the first-time buyer of a *new* RV would be between 47 and 49 at time of purchase. The age at which the first *new* RV is purchased tends to be higher for those who previously purchased a used vehicle. Among this group, the average age at the time of the new-RV purchase is between 49 and 51, compared to an age range of 44 to 46 at the time of purchase among those whose *first* RV purchase is a new vehicle.

RVIA's average age of the first-time buyer of a *used* RV was found to be approximately 46-48 years old at the time of purchase. Both surveys found that a high percentage of actual first RV purchases were of used vehicles—68 percent of the respondents in the RVIA study and 65 percent of the respondents to the TL survey.

In the TL survey, the average* age at the time of the first RV purchase was found to be approximately 41 years old, with little difference between those who currently owned their first vehicle and those who had subsequently replaced their first RV.

The RVIA sample of first-time purchasers of used vehicles was drawn from names provided by members of the Recreation Vehicle Dealers Association (RVDA). The TL survey, however, found that, among those owners who presently own their first RV, 52 percent had acquired that RV from a private party, with the balance making their purchase from a new or used RV or car/truck dealer or the manufacturer. This 52 percent purchasing from a private party would not be represented in the RVIA survey.

The somewhat higher average age of the first-time buyer in the RVIA survey (49 years old), combined with this difference in sample composition, suggest that the average age of the used RV buyer who purchases from an RV dealer may be somewhat older than buyers who purchase from a private party.

Not surprisingly, the RVIA study indicates that the average age of the first-time buyer also varies by vehicle type. First purchasers of fold-down campers tend to be the youngest (average age at purchase 39-41) while first-time purchasers of motorhomes tend to be the oldest (52-54 at time of purchase).

The picture which emerges is that the first-time RV buyer is, on the average, between 40 and 49 years old at the time of the purchase. The first-time, used-vehicle purchaser who is buying from a private party may be among the younger first-time RV buyers. And those who first purchase a *used* RV before making their first purchase of a *new* vehicle tend to be older than those who start out with a used vehicle. There also is some evidence to suggest that recent first-time buyers may tend to be somewhat older than those who purchased their first vehicle before 1983.

A few points should be noted here. Although the RVIA study indicates that the average age of the first-time buyer is 49 years old, this is buyer age *at the time of the survey*. The RVIA sample included only buyers who had made their first new- or used-vehicle purchase within the past three years; thus, the average age at the time of the purchase would have been roughly between 47 and 49.

The TL survey asked respondents their age *at the time of their first RV purchase*. Respondents to the TL survey could have purchased their first RV at any time in the past. Only 7 percent of the very first purchases of any RV occurred between 1984 and 1986. Roughly one-quarter (25 percent) of the first purchases occurred between 1980 and 1986, another quarter (27 percent) between 1975 and 1979, and almost another quarter (21 percent) between 1970 and 1974. The remaining first purchases occurred before 1970.

The relatively small percentage of first purchases that would have occurred during the same years as those included in the RVIA study explains some of the difference in the reported average age of first-time buyers in the TL survey.

The combined results of the TL and RVIA studies appear to suggest that the average age of the first-time buyer has become somewhat older during the past few years. However, the influence of including first purchases of *new* vehicles also tends to increase the average found in the RVIA study.

continued

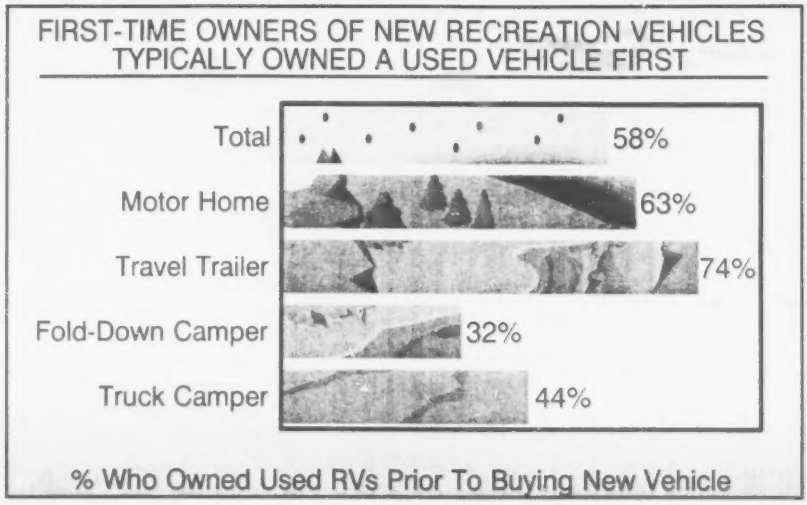
FIRST-TIME OWNERS OF RVs COMPARED TO U.S. POPULATION

	First-time Owners of RVs	U.S. Population
Home ownership	92%	65%
Married	92	66
Average age (years)	49.1	31.3
Education		
-High school or less	53	63
-Some college or more	43	35
Average income (in thousands)	$39.8	$22.4

CHART COURTESY OF RECREATION VEHICLE INDUSTRY ASSOCIATION

* *The median is frequently preferred as a measure of the central tendency of an age distribution because it is less influenced by extreme values. The median age in the TL survey for both first owners and repeat buyers was 39.5 years of age.*

FIRST-TIME BUYERS *continued*



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Marital Status, Family Composition

Both studies indicate that the vast majority—91-92 percent—of all first-time RV owners are married. The RVIA study points out that truck-camper owners are somewhat less likely to be married than owners of other vehicle types.

However, first-timers were much less likely to have children living at home. Almost half (46 percent) of the first-time RV buyers surveyed by RVIA presently live in households of one or two people. For first-time owners in the TL survey, this proportion was 44 percent, while 61 percent of repeat buyers were in one- or two-person households. First-time owners of new or used fold-down campers were more likely than purchasers of other vehicle types to be in households of three or more, while owners of motorhomes were most likely to be in the one- or two-person household.

Respondents to the TL survey were asked if they had children living at home, and if so, what their ages were at the time when the first RV was purchased. About one-third of the respondents did not have children living at home when they purchased their RV, reflecting the older "empty-nest" RV customer. Among the two-thirds who did have children living at home when the first RV was purchased, half had children aged 6 to 12 years old, one-third had children aged 13 to 17, and another 38 percent had children under age 6. (The question allowed for multiple answers to reflect all the children's ages.)

Thus, for these first-time RV buyers, the RV is purchased, at least in part, for recreational and leisure activities that include children.

Home ownership appears to be virtually a prerequisite to RV ownership. The RVIA study reveals that 92 percent of the first-time RV buyers surveyed were home owners, compared to 65 percent of the U.S. population. Similarly, the TL survey found 92 percent of all the respondents owned their own homes, condominiums or manufactured homes, and this proportion was the same for the subset of first-time RV owners.

Thus, monitoring trends in home buying could be revealing of trends likely to be reflected later among first-time RV buyers.

Education, Occupation And Income

Among all respondents to the RVIA and TL surveys, a little more than 50 percent had a high-school education or less. Among first-time buyers of new and used vehicles, the education level was very close to this proportion in the RVIA survey.

However, the TL survey found only 41 percent of the first-time owners reporting a high-school education or less, and almost 30 percent of the first-time buyers responding to the TL survey attended college but did not earn a degree.

While the high school-educated group remains an important one, the 17 percent of new owners with a college degree, and the 12 percent with postgrad-

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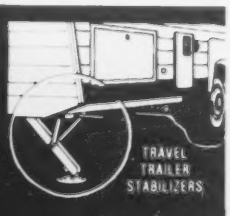

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FIRST-TIME BUYERS *continued*

uate study, also need to be considered in future marketing.

The slightly higher proportion of first-time owners with more than a high-school education in the TL study would appear to reflect general education patterns in the U.S. population, as well as the trend toward increasing levels of education and, possibly, the impetus of the Vietnam War in encouraging college attendance.

Thus, there is a 50-50 chance that the first-time RV buyer will have no more than a high-school education, but also the same probability that the buyer will have at least some college education.

Education level is particularly important in influencing the amount of reading activity and the types of magazines selected for reading. Similarly, higher education levels need to be considered when developing print advertisements or product brochures. While relatively lower levels of education would tend to reinforce the importance of verbal information—information from friends, neighbors and dealers—higher education levels would tend to make print media advertising just as equally important.

Both surveys found that one-quarter of the first-time buyers were retired. Among those still employed, approximately half were employed in white-collar positions—professional, technical, managerial and sales occupations.

The TL survey examined occupation before retirement and found that, among first-time owners, almost half (48 percent) had been in managerial, professional, technical or self-employed positions. However, among repeat buyers, this percentage was only 37 percent.

The occupational level of the first-time buyer thus appears to reflect the higher education levels.

The RVIA study describes the average first-time buyer as having an income just less than $40,000. (Again, this value is a present-income level; however, no attempt has been made to adjust this to reflect income at the time of the first purchase.)

This average includes buyers of used RVs who may have previously owned a used vehicle. First-time buyers of used RVs were found to have an average income around $35,000. This more closely parallels the median income of $34,000 for first-time owners found in the TL survey.

It would be safe to say that $35,000 is approximately the minimum income threshold for the purchase of an RV and that income is likely to exceed the $40,000 average as the older buyer, experienced with a used vehicle, moves up to a new vehicle. As would be expected, income tends to be higher among first-time buyers of the more expensive motorhomes.

Lower current income among the retired segment tends to depress the income averages while not accounting for the retirees' relatively high proportion of available discretionary income. Consequently, employed first-time buyers would be expected to have incomes higher than the average.

Previous RV Experience And RV Type

Previous RV experience is important for the first-time purchaser of a new RV. As noted earlier, both studies found the first RV purchase was a used vehicle for 65-68 percent of the respondents.

The results of the TL survey indicate a tendency to remain with the initial vehicle type. Respondents were asked what type of RV they would most likely purchase if they were to buy another RV today. Among new owners, 48 percent indicated that they would buy the same type vehicle as that which they presently owned. Among repeat purchasers, the proportion was even higher—54 percent would purchase the same type.

Owners of new vehicles who started with a used RV generally did not upgrade the class of recreational vehicle they owned when they purchased the new vehicle. The RVIA survey found that

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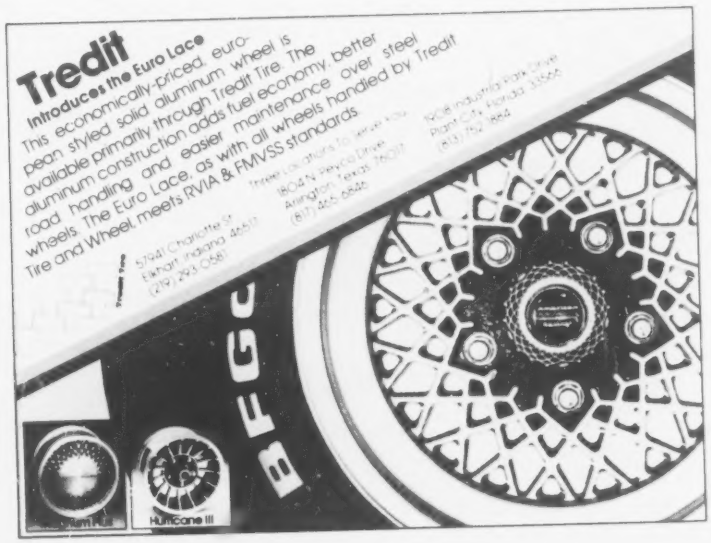
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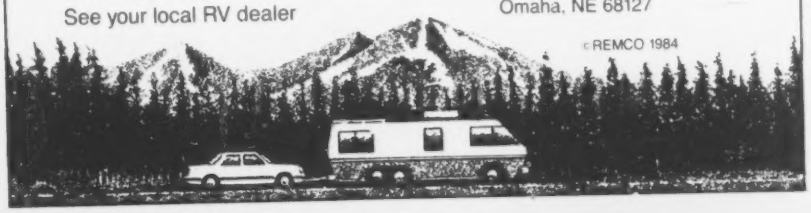

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VAN CONVERSIONS

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Firms seek to segment market and build dealer loyalty

VICKI ELMER

Four years ago, Bivouac Automotive Corporation was content to build basically a one-price van conversion. But in 1986, the Vandalia, Michigan, van-conversion company has brands in three price ranges, and it is considering products for specialized segments of the industry—including fleets, resorts and van pools.

Bivouac, a subsidiary of Bivouac Industries Incorporated, is responding to a drum beat that the entire van industry hears: Segment the market, find a niche and build dealer loyalty. It is a beat pounded out by the industry's growth, maturation and intense competition.

In fact, one of the more striking trends in the RV industry is the growth of the van-conversion market.

So far this year, Recreation Vehicle Industry Association (RVIA) statistics, based on reports from its 180 van-converter members, show that, through August of this year, van converters had already delivered 131,300 vans to dealers, or 13.6 percent more than in the same period in 1985.

And the future looks even better. Morton Marcus, director of the Indiana University's Business Research Center, has forecast in a recent *RV Barometer* special report that van-conversion shipments will total 190,800 in 1986, 193,600 in 1987 and about 230,600 in 1988.

The Marcus forecast also projects that van conversions will account for 49 percent of the RV market in 1986, which can be compared with a van-conversion market share of less than 20 percent in 1976. (The Marcus forecasts are based on both RVIA statistics and economic projections, including a real gross national product growth rate of 3.3 percent in 1987, interest rates that move in a narrow range in 1987 and an inflation rate of just more than 3 percent next year.)

The National Van Conversion Association (NVCA), a trade group with 200 members, also sees a "small increase" over 1986 sales, says Doug Cole, NVCA director of public relations. He says the

PHOTO: PAUL PRIBBLE
VAN COURTESY OF CONTEMPO VANS

van-conversion business has been on the upswing since 1983, and he sees no reason for it to slow down in the year ahead. NVCA estimates that 250,000 vans a year are converted, but it doesn't compile precise statistics.

In fact, because the RV industry is estimated to include up to 2400 van converters, many of whom come and go with the economic tides, it is difficult to obtain any precise statistics measuring the van-conversion market's growth. RVIA statistics are considered to be the most reliable figures available, but, admits William Garpow, RVIA vice president of communications, the numbers have a built-in "fudge factor" for the many smaller companies that aren't RVIA members and don't report sales.

Meanwhile, Starcraft Company, the nation's biggest van converter and a Lear Siegler subsidiary, expects van conversions to run at about the same level next year as they have in 1986, says Cecil Bontreger, senior vice president and general manager of Starcraft's automotive products. Starcraft expects to convert about 10,000 vans this year and the same number next year, although Bontreger says specialty units could add a bit to those totals.

One potential sour note in the van-conversion outlook is the possibility of continued cut-rate financing, offered by all four domestic automakers to clear their 1986 models. Analysts say such discounts are likely to continue if auto sales remain sluggish. Since those rates often only partially apply or are unavailable for converted vans, consumers—lured onto auto dealers' lots by 2.9-percent financing—may turn to a station wagon or large passenger car. Skip Stern, a Paine Webber analyst who follows the RV industry, also cautions that competitive, low-loan rates for van conversions could artificially—and temporarily—inflate van-conversion sales, basically boosting current sales only by robbing from future sales.

However, Stern adds, financial institutions' low-interest rates could provide a significant long-term boost for van sales because, he notes, "people who buy vans also finance them."

Van sales also could be less robust than expected next year if the economy slows down, as some economists are predicting. Yet, Stern points out, van-conversion sales generally are not as sensitive to economic cycles as RVs because most buyers are buying them as a dual-purpose vehicle—for transportation as well as recreation.

NVCA's Cole agrees, noting that "an array of affluent people—households with incomes of $33,000 and up—account for the lion's share of custom van buyers." These well-to-do buyers are less likely to be hit by the economic down-

SURVEYS: A YOUNGER, HIGH-INCOME BUYER

Thanks to van-converter and automaker surveys, a more detailed portrait of the van-conversion buyer is emerging. Of equal importance, surveys indicate clearly that van conversions are considered to be, and used predominantly as, recreational vehicles by their owners, who are among the most satisfied buyers in the automotive and RV industries.

For example, picture this family: a doctor or business executive who is 35-40 years old, with a working wife and 2.8 children. The family income is $50,000 or more a year, and they're on the go a lot—to work, ball games, school activities, travel. The family probably owned a converted van, or perhaps a station wagon, before purchasing their current van conversion. And, they use their brand-new van almost every day.

That hypothetical family represents the typical buyer of National Coach Corporation's Landmark van over the last two years, according to Alan S. Rachmiel, National Coach's general sales manager for its automotive division. The buyer profile comes from a one-page questionnaire that's in each new Landmark van, and nearly 80 percent of buyers return the survey because the company offers a customized plate for the van dashboard if they do, says Rachmiel. The Gardena, California-based van converter has received back more than 4000 surveys in the last two years, he adds.

The buyers surveyed by National Coach had purchased the company's high-end van, which retails for $17,000 to $25,000, depending on options, and Rachmiel notes that most buyers are "much more sophisticated, professional and family-oriented" than they were just five years ago when "surfer vans" and "sin bins" were sold to younger customers.

For example, National Coach's surveys show that 80 percent of its buyers are white-collar workers—attorneys, doctors, professionals, small-business owners, corporate executives—and that 90 percent of them are married. Some 55 percent earn $50,000 or more a year in family income, while another 25 percent earn $35,000 to $50,000 annually.

"I have never seen incomes less than

NVCA'S CERTIFICATION DRIVE SPARKS CONTROVERSY

The National Van Conversion Association's (NVCA) aggressive campaign to promote its certification program so far appears to have sparked more controversy than it has applicants for the Indianapolis-based group's program.

Besides some questionable NVCA claims regarding Federal Trade Commission (FTC) approval of its program, the controversy is being fueled by three Indianapolis van dealers who have sent formal notices to manufacturers refusing to handle vans that do not carry NVCA seals. Specifically, the notices, which went out in late October, state that, effective November 1, 1986, those dealers "will handle and purchase only van conversions from van-conversion manufacturers who have been certified by the National Van Conversion Association."

Doug Cole, NVCA director of public relations and membership services, says the program, which has taken more than two years to finalize, will now be available to all converters, regardless of membership in NVCA. Cole notes that the association is stepping up its efforts to certify manufacturers under the NVCA banner following "Federal Trade Commission approval of the program, and assurances that we comply with all the antitrust guidelines set forth by that agency."

According to Cole, the FTC approval was the final hurdle the association needed to overcome before the program could be launched in earnest. "Now we have a program that addresses the standardization that has been needed in the van-conversion industry for more than a decade," he says. "We have now become the only association with a true certification program for van-conversion manufacturers that meets FTC guidelines."

However, Ronald Rowe, assistant director of the FTC's bureau of competition, takes exception to the association's claim that its program has the approval of that agency. "We do

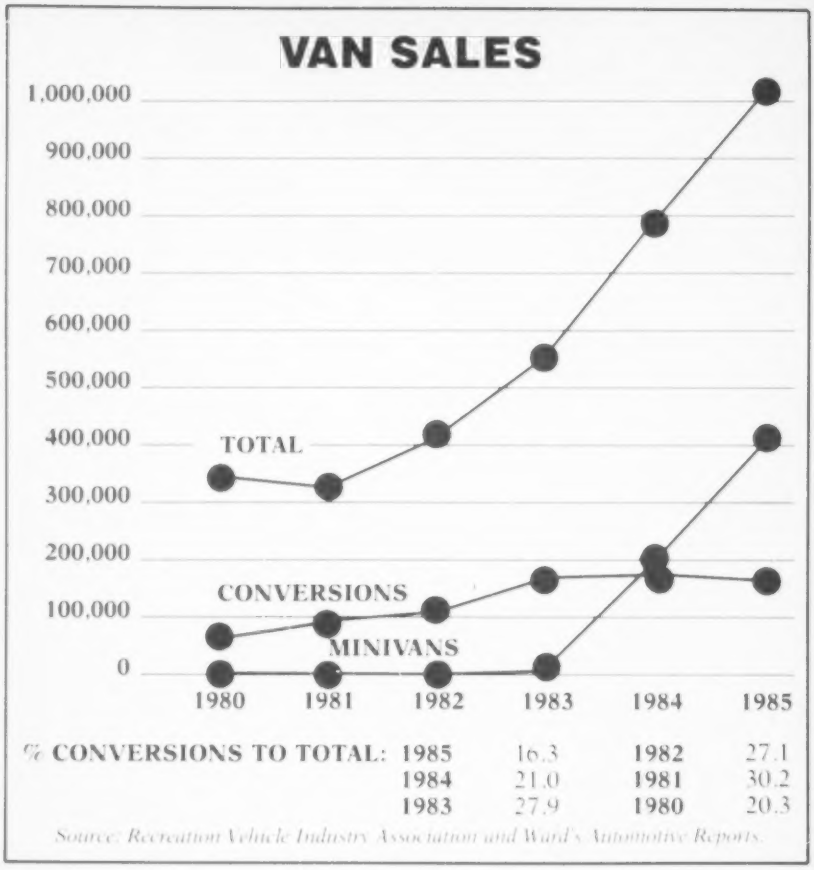
$15,000," Rachmiel says. About three out of four buyers live in two-wage-earner households. Ninety-two percent of the Landmark buyers who responded said they own their own home, and three-quarters had attended or graduated from college. Van buyers were almost exclusively male, but Rachmiel adds that women van drivers are increasing.

The predominant age group was 35-49, which represented half of all buyers; ages 50-64 accounted for about one-third of buyers. Just five years ago, the younger crowd, ages 21-29, represented a larger share of the market, Rachmiel notes.

A general survey of 1985 buyers by Ford Motor Company supports National Coach's findings. The survey found that the average age of a purchaser of a full-size van "modified for people" was 42. About a third of purchasers had completed college, and 42 percent were either manager/proprietors or in professional/technical occupations. Some 77 percent bought the modified van to replace an existing vehicle, a truck or van in a slightly more than half the cases. Ninety percent of buyers planned to use the van conversion for vacation trips, while half planned to use it for camping/hunting/fishing outings.

However, a more specialized survey

continued on page 38



% CONVERSIONS TO TOTAL:				
	1985	16.3	1982	27.1
	1984	21.0	1981	30.2
	1983	27.9	1980	20.3

Source: Recreation Vehicle Industry Association and Ward's Automotive Reports.

not approve of anything," he asserts. "Under the commission's rules, we will sometimes issue an opinion letter on whether a proposed act or practice might violate the antitrust laws, but I can assure you that the FTC is not in the business of approving any association certification program."

In response to that, NVCA's Cole says, "It is our contention that the FTC did offer approval. They don't endorse any association or its programs, but they will provide approval on specific aspects of a program."

Cole adds that NVCA currently has given full certification to four converters, with certification pending for 15 more manufacturers. Cole estimates that some 100 manufacturers will become certified within the next year.

The certification process takes an average of 60 days, although NVCA is permitting manufacturers to take as long as six months to bring their operations into compliance. Cost of the program is $2700 for the first year, and "about half that amount in succeeding years," Cole says. Once certification is granted, there is a $3 charge for each NVCA seal.

An Indianapolis dealer, Tom Wood

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turn that some economists see lurking ahead.

With a generally positive sales outlook, conversion companies are moving ahead in the development of a full range of van lines, often marketed under their own distinct names, much as General Motors markets Chevrolet, Cadillac, Pontiac and Buick lines.

A handful of high-volume van converters are directing their attention to establishing dealer allegiance to their product lines. They point out that the conversion market has been marked by intense competition among a large number of small players, and that auto dealers—the main distributors of van conversions—have taken advantage of that market fragmentation to play one converter against another, forcing them to drop prices to earn sales.

In seeking dealer loyalty, some van companies count on a strategy of expanding their range of prices and products. As Alec Cumming, marketing director for Bivouac, which is aiming for dealer exclusivity, explains, "Dealers shouldn't have to look elsewhere for a van. We can get dealer loyalty if we supply the product to him." Thus, Bivouac introduced the economy-line Tahoe in 1985 to complement its midline Valant and its $22,000-and-up Roamer.

Converters also are concentrating on carving out specialty niches to give them more exclusive appeal. Starcraft's four factories roll out an array of specialty products, for example. Bontreger likes to talk about the "Ducks Unlimited" van, with its camouflage-painted exterior, duck patterns inside and obvious appeal to duck-hunters and duck-collectors. Starcraft also builds "fan vans" for universities with gung-ho supporters and vans tailored for golfers, skiers, fishermen and hunters. NVCA's Cole cites Zimmer Motor Vans' unit that looks like an airplane inside and Crestliner's high-performance "race-van" as further examples of niche-carving.

Some companies are even branching out to customize pickup trucks and four-wheel-drive vehicles, such as Chevrolet's popular Blazer. This sort of conversion work tends to be done by small, innovative companies that may have little interest in van conversions, although some converters—and even some traditional RV makers—see it as a way to make extra money, says Stern. Special paint, graphics and interiors on downsized pickup trucks are generating much interest, he notes.

Minivans, those popular little brothers to the full-size vans, also are likely to have an impact on the industry's product lineup.

Minivans already have garnered an increasingly large share of overall van marketing. For example, *Ward's Automotive Reports* says 404,200 minivans were sold in 1985, more than double the

VAN CONVERSIONS

continued

1984 levels. Ward's experts have predicted that minivan sales could hit 1 million a year by the early 1990s, which would equal the total number of vans sold last year.

But van converters are going to have to chase the minivan market a little more aggressively than in the past. When Chrysler Corporation kicked off the minivan business in 1983, to be swiftly followed by Ford Motor Company and General Motors Corporation, automakers couldn't keep up with demand—so converters bought their cargo units and dolled them up for retail customers. Now the Big Three automakers are cranking out more than an adequate supply and offer some of the features typically added by converters.

For example, top-of-the-line minivans can be purchased from the factory with power seats, lighted vanity mirrors, plush carpeting and other luxury accessories—often competitively priced in a package deal.

"Detroit's packages available for minivans are at price points we can't match," says Bill Snook, president of Coachmen Van Conversions, a division of Coachmen Industries Incorporated.

Starcraft's Bontreger disagrees, saying he thinks converters can "give them the extras" that won't be added at the factory—such as televisions, VCRs, radar detectors, special paint jobs and better seating.

Finding room in the minivan market may require going even further, however. Says Snook: "Converters need to be more creative, to create a distinguished look" that will set their products apart from the factory-delivered Ford Aerostar or Chevrolet Astro.

Offering extra services—marketing, promotions and warranties that the mom-and-pop shop cannot offer—is another strategy being used by the high-volume van converters to win dealer allegiance.

For example, Bivouac is testing a direct-mail campaign for its dealers in Indianapolis and Dayton, Ohio, as part of its efforts to establish dealer exclusivity. The company is working with Sheffer Advertising, a South Bend firm specializing in direct mail, to target potential buyers by age and income, and will provide its dealers with lists of buyer's names and addresses, says Cumming.

Starcraft is taking a different approach. It offers dealers cooperative retail advertising and also promotes its products in major consumer magazines, such as *Sports Illustrated*. Both companies say they are hoping for the same result: fewer sales based on price and more transactions based on brand awareness and dealer loyalties.

Meanwhile, the question of future consolidation in the industry remains unanswered. On the surface, the van-conversion industry looks especially susceptible to a rash of buyouts and mergers. After all, the business is spread among up to 2400 companies—many of them mom-and-pop operations that sell only to local auto dealers. Even one of the biggest companies, Starcraft, can claim to control only 5 percent of the market.

Yet few in the industry predict any trend toward consolidation, and Stern, the Paine Webber analyst, agrees. He notes that this is in sharp contrast with the ongoing consolidation that he predicts for the rest of the RV industry.

There are several reasons for continued market fragmentation. The foremost reason is the ease with which a van-conversion shop can be established. "If you and I have a couple of garages, we can be a van-converter tomorrow," Stern explains. "There are no costs of entry."

In addition, Bontreger notes, small, local companies reap the advantages of lower freight costs—a significant factor in total price—because they generally service a small area. They also benefit from low overhead and fixed costs, which again is reflected in their low prices, he adds. "It's very tough to compete with

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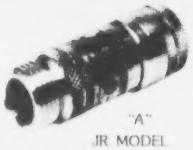

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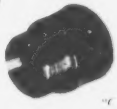

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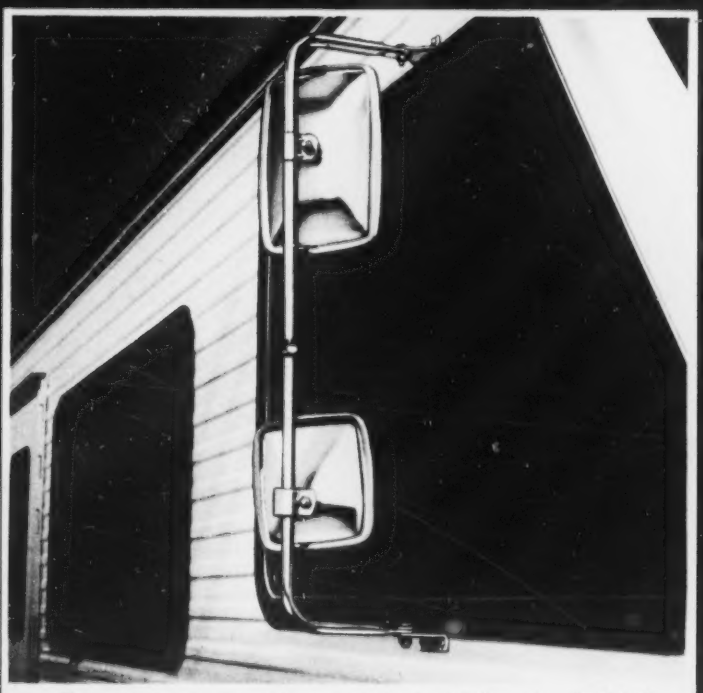

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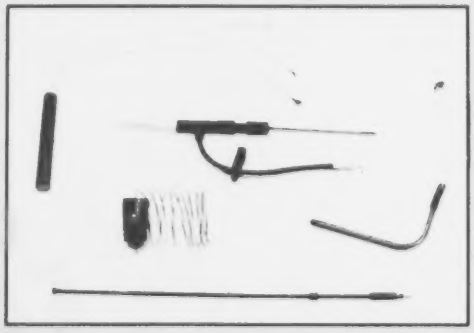

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VAN CONVERSIONS

continued

that small guy," Bontreger concludes.

Snook of Coachmen Van points to another reason that converters are likely to remain small. "Our advantage (over the big automakers) is our reaction time. If we get big, we tie ourselves in and cannot react as quickly," he says. Snook adds that Coachmen Van has passed up several opportunities to buy smaller van converters, although the company is considering the startup of satellite plants in the Southwest or Northeast.

NVCA's Cole is one industry observer who does foresee a gradual consolidation trend as the larger market players try to establish a national presence. "Bigger companies will buy smaller companies to get two, three or four production facilities," he predicts.

Although industry-leader Starcraft currently has no plans to expand beyond its national, four-plant operation, Bontreger, too, says he sees the opportunity for the development of five or six national van-conversion companies over the next several years. However, he adds, the smaller firms will still stay in the business—at least as long as vans continue to enjoy their current strong sales. Δ

VAN SURVEYS

from page 35

of van-conversion buyers sponsored by Ford's RV/OEM sales division provides better detail of van-conversion use, and makes clear the important niche that vans fill in the RV market.

David Tarrant, manager of Ford's RV/OEM sales division, explains that the specialized survey focuses more clearly on personal-use van conversions by keeping track of vans through van-consignment pools and then tailoring questions to buyers, thus weeding out inappropriate data, such as that for converted service vans, which are included in more general surveys.

The Tarrant survey reveals not only that van conversions are multipurpose vehicles used primarily as recreational vehicles, but that they even appeal to a portion of the traditional RV market.

For example, Tarrant notes that, when buyers were asked what other vehicles they had considered after shopping for a full-size van conversion, 44 percent said that they had looked at other vehicles, and half of those had considered purchase of a traditional RV, such as a motorhome or travel trailer. "The van conversion bridges the gap between people who buy ordinary conveyances and people who buy traditional RVs," concludes Tarrant.

Tarrant adds that, when asked how

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continued

trees, the subtle way in which her motorhome coaxes the reader's eye into the headline which, in turn, leads right to the text.

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FIRST-TIME BUYERS *from page 30*

three-quarters of those who had previously owned a fold-down camper, travel trailer or motorhome purchased the same class of vehicle when they upgraded to a new vehicle. Only the truck-camper group shows a lower percentage (40 percent) continuing with the same class of vehicle, while the remainder of these owners split their subsequent purchases among the other alternative.

Thus, the sale of a used RV to the new buyer has a continuing influence on the type of vehicle likely to be purchased in the future.

Relatively few (11 percent) of the first-time buyers of new vehicles had rented an RV prior to buying. However, first-time owners of motorhomes were significantly more likely than other first-time buyers to have rented prior to purchase, as might be expected given the higher price of the vehicle.

The sale of a used RV has a continuing influence on the type of vehicle purchased in the future.

It cannot be determined from these studies the extent to which the low incidence in rentals reflects limited availability as opposed to a lack of interest in rental possibilities.

The RVIA study also highlighted some differences in demographic characteristics related to the type of RV owned.

Motorhome owners were more likely than other first-time buyers to be retired (35 percent), and those still employed were more likely to be in executive or managerial positions. These RVers were older, had higher incomes and were better educated.

The average travel-trailer owner had the lowest education level and the lowest income. Owners of fold-down campers were the youngest and, related to this age characteristic, were more likely to be employed and more likely to have three or more people in their households.

Truck-camper owners were less likely to be married and were more likely to be in a skilled-craftsman occupation. Δ

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